

NEWSLINE

Savings Plus Program

Fourth Quarter 2001

Important Pension Reform Update State Needs Conforming Legislation

The Savings Plus Program (SPP) has recently learned that a number of states, including California, cannot offer the full benefits of the new federal pension reform law unless their State tax laws are amended to conform to the new federal law. This means SPP participants should hold off making certain changes to their account until further notice.

As reported in our last NewsLine, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) passed by Congress, raised the limits on how much employees may contribute to their 401(k) and 457 accounts. However, SPP cannot incorporate these changes into our plans until California amends its tax code.

We are aware that some SPP participants have already raised their deferral amount for the start of the new tax year. SPP is monitoring the tax conformity issue closely and if the State tax laws are not changed to conform to the higher federal limits and other provisions provided for in EGTRRA, we will work with each individual participant to ensure their deferrals remain within the allowable limits.

As a result of the State tax conformity issue we are also delaying any IRA rollovers from 457 plan accounts. We believe this delay is warranted given the potential State tax liability participants would experience on their rollover if California does not amend its tax code. At such time as the conformity issue is resolved allowing for this provision, we will immediately take steps to accommodate IRA rollover requests. Please note that current State tax laws allow IRA rollovers from 401(k) accounts. We will continue to process 401(k) rollover requests as they are received.

SPP is doing everything possible to ensure participants do not experience any negative tax consequences because of the deferral changes they may have already initiated. We hope California's conformity issue will be resolved soon. As new developments on this issue become available, we will communicate this information via our Web site (www.sppforu.com) and future NewsLine publications.

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Best Wishes for 2002

As we start the New Year the Savings Plus Program staff would like to extend sincere wishes to our participants for a healthy, prosperous and peaceful 2002. We look forward to continuing our efforts in providing you investment options that will fit the varied asset allocation strategies for the 130,000 participants who are enrolled in our Program. We are committed to the goal of ensuring the Savings Plus Program serves as a beneficial tax-deferred investment plan to supplement your retirement income.

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The following Questions and Answers will hopefully address some of the specific questions you may have regarding your contribution limits given the State tax conformity issue:

Question: If I am contributing to only one account, either a 401(k) or a 457, what is my maximum contribution for the 2002 tax year, given that California state law currently does not conform to the new federal law?

Answer: Currently, if you contribute to a 401(k) Plan only, the annual maximum contribution is the lesser of \$10,500 or 25% of your annual compensation. If you contribute to a 457 Plan only, the annual maximum contribution is the lesser of \$8,500 or 33 1/3 percent of your annual compensation.

If you increased your contribution to either your 401(k) or your 457 Plan for the 2002 tax year to achieve the higher annual limit allowed under the new federal law, you may need to reevaluate your situation in a few months if the state tax conformity issue is not resolved. You may need to reduce your deferral amount at that time. However, you may change your deferral again if and when California amends its law to conform to the higher federal limits.

Question: I am currently contributing to both a 401(k) AND a 457. Should I now change my contributions as a result of this non-conformity issue?

Answer: Under current rules, if you contribute to both a 401(k) and 457 account in the same tax year, the annual maximum contribution limit is the lesser of \$8,500 annually or 33 1/3 percent of your annual compensation. If you contribute only to your 401(k) account, current rules allow you to contribute up to \$10,500.

If State tax law is NOT changed to conform to the new federal limits, the rules stated above regarding contributions to both accounts will continue to apply to you. SPP will work with each individual participant to ensure the maximum deferral amount allowed is available.

Question: I want to take advantage of the higher deferral limits by contributing to both a 401(k) and 457. However, I have not yet taken any action to open another account and currently only contribute to one account. Given this non-conformity issue, should I enroll in both accounts now?

Answer: No. We recommend that you continue to contribute the maximum monthly amount that you can afford into your current account only. If and when the conformity issue is resolved, you may open another account and contribute up to the maximum for both.

Web Access to Dwight Asset Management

Be sure to check out the new Dwight Asset Management Web site designed specifically for Savings Plus participants. Effective January 2002 Savings Plus participants will have online access to information on the Guaranteed Insurance Contract (GIC) Fund, which is a stable value fund managed by Dwight Asset Management Company. To access this fund from the SPP web site, click on "Plan Info & Forms" and then click on "Links to Fund Providers". From the list of providers, click on "Dwight Asset Management" to get to Dwight's Welcome page where you will be able to view several topics. To view specific information about the California Savings Plus Program GIC Fund, click on the login icon for Your Fund. You will be asked to input a lower-case user ID and password as follows:

ID: california

Password: savingsplus

You can navigate through the website by clicking on the blue links and icons. By visiting the website you have access to information such as portfolio holdings, historical performance, commonly asked questions about this option and information about the manager of the Fund.

You can also reach this web site directly at www.dwightinvestor.com. You will need to have the Flash 5 plug-in to view this site. If you have comments about Dwight's web site please contact Dwight at info@dwight.com.

Web Site Password Reset

Starting December 10, 2001, participants who access their accounts via the SPP web site are being asked to change their password and re-authenticate their Internet profile. This information was communicated in the 3rd Quarter NewsLine and is also on the SPP web site. Participants with questions and password-reset problems are being referred to a special 800 number where they can speak to a Nationwide (NRS) technician and receive assistance. Participants, who changed their password after October 26, 2001, may also be prompted to change it again.

Keeping your data confidential is a joint commitment by both SPP and NRS. This password-reset process is a proven way to further strengthen the Internet security model that contains your account information.

Web Site and Voice Response System (VRS) Enhancement

Check Distribution and 401(k) Hardship Withdrawal Availability

Information regarding your last check distribution and the amount available for hardship withdrawal are now displayed on the Web and available using the automated voice response system (VRS). On the Web simply log into your account. The information is displayed under your account balance. The VRS menu has been enhanced with an additional menu option to provide this information. To obtain this information, call the VRS (866-566-4777). Enter your social security number and pin to access your account. Select Option 1 (Account Information) off the main menu, then select Option 5.

Name Change for Nationwide Investor Destination Series

From time to time, fund houses will change the name of some of their investment options. Effective January 25, 2002, the Nationwide Investor Destination Funds, also known as the "Lifestyle Funds", will be renamed to Gartmore Investor Destination Funds. This is a name change only and the fund managers and the existing investment objectives will not change.

Federal and State Tax Withholding Changes for 457 Distributions

New mandatory Federal income tax withholding for 457 plan distributions went into effect January 2002. In December letters were sent to all participants currently receiving distributions advising them of the new federal withholding. The chart below reflects the new requirements for Federal and State income tax withholding. Please note SPP will no longer accept W-4 tax withholding forms. For Federal income taxes you must complete a W-4P. For California state income

taxes you must complete an Employment Development Department (EDD) Form DE-4P. Forms are available for download from our web site. Forms can also be obtained at some libraries, or through your local tax authority office.

If you are considering starting distributions from your 457 account, you should consult with a tax advisor regarding the new tax withholding requirements and the impact on the payment method and distribution period you elect.

The SPP is aware that some participants currently receiving distributions may want to change their current distribution election because of these Federal income tax withholding changes. The SPP is awaiting clarification from the IRS on whether participants currently on distribution will be allowed to change previous irrevocable distribution elections. In the event the IRS does allow for this change, the SPP will notify affected participants of the available options.

Type of Distribution	Federal Tax Withholding	State Tax Withholding
Lump sum payments (excluding unforeseeable emergencies and non-spousal beneficiary payments)	There will be a mandatory 20% withholding for Federal income taxes on amounts over \$200. If you wish to increase the Federal income tax withholding complete a W-4P.	State income taxes will be withheld at a rate of "single" with 0 (zero) allowances unless you request otherwise by completing a DE 4P.
Periodic Payments over a period of <u>less than 10 years</u> .	Federal income taxes will be withheld at a rate of 20% on amounts over \$200. If you wish to increase the Federal income tax withholding complete a W-4P.	State income taxes will be withheld at a rate of "single" with 0 (zero) allowances unless you request otherwise by completing a DE 4P.
Periodic Payments over a period of <u>10 years or more</u> .	Federal income taxes will be withheld at a rate of "married" with 3 allowances unless you request otherwise by completing a W-4P.	State income taxes will be withheld at a rate of "single" with 0 (zero) allowances unless you request otherwise by completing a DE 4P.
Payments made outside of the United States	30%	Not applicable

Change to Normal Retirement Age for the 457 Catch-up Provision

Effective January 2002, the “Normal Retirement Age” for purposes of the 457 catch-up provision was changed to age 50. This means that if eligible, you can participate in the 457 catch-up provision beginning at age 47.

The 457 catch-up provision allows eligible participants to contribute deductions they may have underutilized in prior years. If participating in catch-up you are allowed to contribute more than the yearly contribution maximum. To be eligible you must meet the following two requirements:

- ✓ You were eligible to contribute to the 457 plan in past years and did not contribute the maximum to either a 457 or a 401(k) plan, and
- ✓ You are within three years of the normal retirement age.

Please note that you cannot participate in catch-up during the year you actually retire.

If you are interested in participating in the 457 catch-up, you must complete and submit the *457 Deferred Compensation Plan Catch-Up Worksheet/Certification Form (DC-3509)*. This form describes how the 457 catch-up works. By completing the worksheet contained on the form you can determine the additional maximum amount you may contribute to your 457 plan. This form is available on the SPP web site at www.sppforu.com or through the SPP Voice Response System by calling toll free 1-866-566-4777 and pressing 4 (Forms and Publications).

VRS Fund Codes

The VRS requires a 4-digit code for an investment option you want to inquire about or change. This list of fund codes is current as of January 1, 2002.

FUND	CODE
Accessor Small to Mid Cap Adv	2240
CalPERS/S&P 500 Index	2750
CalPERS/US Intermediate	2752
CalPERS/US Short-Term	2751
Domini Social Equity	2802
Dwight Asset Management GIC	2810
Federated Stock Trust	3445
Franklin Balance Sheet Investment	7817
Glenmede Inst International	4350
Hartford Advisers HLS	4250
Hartford Stock HLS	4252
Janus Twenty	5270
<i>Nationwide Investor Destination Funds:*</i>	
ID – Aggressive	9723
ID – Moderately Aggressive	9722
ID – Moderate	9721
ID – Moderately Conservative	9720
ID – Conservative	9719
Savings Pool	2230
T Rowe Price Mid-Cap Growth	7736
VALIC Fixed Annuity	8965
Vanguard GNMA	8344
Vanguard Total Bond Mkt Index	8261
Vanguard US Growth	7824
<i>Hartford Variable Annuity Sub Accounts:</i>	
American Century Income & Growth	4237
Franklin Small -Mid Cap Growth Fund	4239
Hartford Bond HLS	4233
Hartford Capital Appreciation HLS	4238
Hartford Index HLS	4324
Hartford Money Market HLS	4231
Hartford Mortgage Securities HLS	4232
Janus Adviser International	4240
Janus Balanced	4230
MFS Capital Opportunities	4235
MFS Mass. Investors Growth Stock	4236
PCRA Sweep Account	7272

*** to be renamed Gartmore Investor
Destination Funds (see page 3)**

Variable Annuity Sub-Accounts

We frequently get questions from participants regarding the Variable Annuity Sub-Accounts offered as investment options within the Hartford Variable Annuity Product. Based on many of the questions it appears that some participants believe these variable annuity sub-accounts are only applicable for participants considering an annuity as part of their distribution options. This is not correct. The variable annuity sub-accounts can and should be considered along with the other core investment options offered by the Savings Plus Program.

Hartford's Variable Annuity Product offers sub-account investment options covering a wide range of investment styles including both international and domestic equity markets. All of the sub-account investment options are managed by a diverse selection of well-known and respected money managers, including American Century Investments Inc., Franklin Templeton Investments, Hartford Investment Management Company, Inc., Hartford Life Investment Advisors, Inc., Janus Capital Corporation, MFS Investment Management, and Wellington Management Company, LLC.

Each of the sub-account investment option invests in a separate account within a group variable annuity contract, which invests exclusively in the assets of an underlying mutual fund. There are no additional charges or transfer restrictions applicable to the sub-account investment options compared to other non sub-account investment options in the SPP Program.

We hope the information provided here is helpful and serves to clarify the sub-account annuity options. These options, as well as our other core investment options are provided to optimize your ability to diversify your retirement assets, based on age, risk tolerance and personal objectives. If you have not yet developed your asset allocation strategy or have not reviewed your strategy over the last several months, we encourage you to do so. You might want to consider using the new Ibbotson Asset Allocation Model on our web site. This new asset allocation tool was described in our last NewsLine and can help you determine your personal investor profile and apply that profile in developing your personal asset allocation strategy.

For information on all of our investment options, please refer to the SPP Investment Guide or visit our web site at www.sppforu.com.



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